

Information Summary and Recommendations

CRANIAL HAIR PROSTHESES Mandated Benefits Sunrise Review

December 1997



Health Systems Quality Assurance

Information Summary and Recommendations

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Page	Contents
1	Executive Summary
5	Information Summary
5	Findings
12	Rebuttal Statements
14	Review Panel
Appendix A:	Senate Bill 5493
Appendix B:	Detailed Applicant Group Report
Appendix C:	Health Care Authority Analysis
Appendix D:	Detailed Literature Review
Appendix E:	Detailed Public Testimony
Appendix F:	N.Y. State Court Decision
Appendix G:	Bibliography
Appendix H:	Review Process and Criteria

CRANIAL PROSTHESES

Mandated Benefits Sunrise Review

Executive Summary and Recommendations

EXECUTIVE SUMMARY

PROPOSAL FOR SUNRISE REVIEW

Senate Bill 5493 would require that if a state-regulated health plan, or a state program that purchases health care, covers Alopecia Areata, and if it provides a prosthesis benefit, then the plan would have to provide coverage for a cranial hair prosthesis. Any co-payments, deductibles or other limitations that apply to other prostheses would apply to cranial hair prostheses. Like all mandated benefits, it would not apply to employer-sponsored health plans, which are exempt from state regulation under the Federal ERISA statute.

THE SUNRISE REVIEW PROCESS

In spring 1997, Senator Alex Deccio, chair of the Senate Health and Long Term Care Committee, requested the Department of Health to review SB 5493 under provisions of RCW 48.42.080. This statute requires the department to make recommendations to the legislature on bills proposing new mandated health benefits, using criteria specified in the statute, when the legislature requests such reviews and funds are made available for the purpose. A “mandated health benefit” is a coverage provision that must be present in all health insurance sold in the state. The criteria for these “sunrise reviews” deal with social impact, financial impact and the effectiveness of the benefits mandated.

Further information on mandated benefits and the sunrise review process, and the statutory review criteria, are contained in Appendix H.

BACKGROUND ON CRANIAL HAIR PROSTHESES

Some health plans provide coverage for “prosthetic devices” but this is not a mandated benefit. It is often unclear whether this benefit includes “cranial hair prosthesis.” Further, there is no defined standard within Washington as to what constitutes an appropriate prosthetic device that should be covered by health insurance plans.

These devices differ from typical “wigs” in fit and design; type of material; method of attachment; and price. (See Appendix B).

A dictionary definition of “prosthesis” is “an artificial replacement of a limb, tooth, or other part of the body.” A dictionary definition of “wig” is “an artificial head covering of hair, worn for example, as a part of an artificial costume, or for ornamentation or disguise.” A medical dictionary definition of “prosthesis” is “an artificial substitute for a missing body part, such as an arm, leg, eye or tooth, used for functional or cosmetic reasons, or both.” The statutory definition of “prosthesis” in RCW 18.200.010 (licensing of prosthetists) would not include cranial hair replacements.

RECOMMENDATIONS

1. Insufficient evidence was obtained to support a recommendation that Senate Bill 5493, Cranial Hair Prostheses, should be passed. Using the criteria in RCW 48.42.080, it is not possible to find a health, social or economic benefit to the general population from requiring plans to cover payment for these devices.

Rationale:

(a) Requiring coverage for these devices would shift the cost from the individual to all persons paying premiums. There is no documentation of long- or short-term health benefits that would be gained. There is no higher cost treatment for which these devices are a substitute. People may still need counseling and/or medical treatment for regrowth of hair.

(b) The Department believes that a substantial number of people who suffer from Alopecia self-pay for the device or for a synthetic fiber wig. There are some private programs to help people pay for these devices if they cannot afford them on their own. System-wide payment for this device is difficult to justify under the statutory criteria.

(c) While it could not be determined exactly to what extent state regulated plans now cover this benefit, estimates provided by the Health Care Authority indicate that the costs outweigh the benefits.

(d) Although procedures vary, many plans offer an appeal process that patients can follow to obtain payment for services not specifically included in a plan’s coverage. (See Recommendation #2 below).

2. Because there are similarities in the value of external breast prostheses for cancer surgery patients, and wigs for chemotherapy patients, it is reasonable to conclude that insurers should be able to recognize the value of cranial hair prostheses to Alopecia patients in the same way.

Rationale:

(a) Health insurance plans are not prevented from, nor required to, pay for any of these devices. Items or services that are not considered medically necessary are paid for by insurers and health plans because of the overall well-being of the patient. Routine ultra-sounds for pregnant women are another example.

(b) Cranial hair prostheses do provide a benefit to those accessing it, and the proponents firmly believe that Alopecia patients view cranial hair prostheses in the same manner as amputees view an artificial leg or arm. Therefore, it is fair and reasonable to ask plans to consider coverage without mandating it.

(c) There is some evidence that the stress related to this disease can be alleviated to some extent by these devices.

(d) Even though the proposal does not meet the statutory criteria for a mandate, maintaining flexibility in a health plan is a prudent policy.

3. The Alopecia association should be encouraged to educate patients, physicians (especially Primary Care Providers), and health plans about problems associated with the disease, sources of financial support, and various treatments.

Rationale:

(a) If this disease, its consequences, and treatment options were discussed more openly by all those involved in care, it would be easier for patients to handle stress related to the disease.

(b) There are some programs to help patients pay for these devices. The association could do more to publicize them.

4. Evidence was sufficient to recommend that better understanding of appeal procedures by patients, and better

explanation of appeal procedures by health plans, would make both payment and denial of claims for this and other services more fair and more uniform. Appeal procedures should lay out what is covered and what is not, and the process a plan would use to fairly evaluate appeals in individual disputes. The Insurance Commissioner's proposed managed care rules, and the requirements for grievance procedures which managed care plans must meet as one element in accreditation by National Committee on Quality Assurance, are two examples of how to improve appeal procedures.

Rationale:

(a) An equitable appeal process in any health plan meets the test of good business practice as well as fairness to plan enrollees. Appeals for cranial hair prostheses should be no different than for any other condition.

(b) Some evidence presented indicates that denials for these devices were not always based on a deliberate decision to exclude them; some decisions appeared to lack an adequate explanation; others suggested plan managers were not familiar with the devices and their appropriate use. Well-designed and well-explained appeal procedures would help ensure that denials are based on the factual situation and a fair application of the plan's published coverages and exclusions.

SOURCES OF INFORMATION

The applicant was represented by Ms. Michelle Novak of Friday Harbor. A draft applicant report was submitted at the beginning of the review. Based on comments from the review panel, a final report was received near the end of the review process. The applicant report was the primary source of information for the review.

A literature review, including Internet searches, was conducted. Some articles on potential causes of Alopecia and descriptions of treatments were found. In addition, sources of both typical wigs and cranial hair prostheses were identified.

The Health Care Authority provided analysis of the cost of the provision of SB5493. The HCA analysis is found in Appendix C.

CRANIAL PROSTHESES
Mandated Benefits Sunrise Review
Information Summary

CURRENT REGULATION AND PRACTICE

Some health plans provide coverage for “prosthetic devices” but this is not a mandated benefit. Further, it is often unclear whether this benefit includes “cranial hair prosthesis.” In some court cases outside of Washington, patients have sought to require health plans to cover hair prostheses as they would other prostheses. Further, there is no defined standard within Washington as to what constitutes an appropriate prosthetic device that should be covered by health insurance plans.

These devices differ from typical “wigs” in several ways: fit and design (custom designed for hairless scalp instead of general manufacture); type of material (the standard is to use human hair instead of synthetics); method of attachment (made to safely and comfortably adhere to bare scalp instead of clipped to hair); and price (between \$2000 and \$3000 instead of \$100 to \$500). (See Appendix B).

A dictionary definition of “prosthesis” is “an artificial replacement of a limb, tooth, or other part of the body.” A dictionary definition of “wig” is “an artificial head covering of hair, worn for example, as a part of an artificial costume, or for ornamentation or disguise.” A medical dictionary definition of “prosthesis” is “an artificial substitute for a missing body part, such as an arm, leg, eye or tooth, used for functional or cosmetic reasons, or both.”

Under the recently enacted licensing requirement for the makers and fitters of prosthetic devices, makers of cranial hair prosthesis would *not* be required, under the statutory definition, to obtain a license. In that law (RCW 18.200), prosthesis was defined as “an artificial medical device that is not surgically implanted and that is used to replace a missing limb, appendage, or other external human body part including an artificial limb, hand or foot. The term does not include artificial eyes, ears, fingers or toes, dental appliances, ostomy products, devices such as artificial breasts, eyelashes, wigs or other devices as determined by the secretary that do not have a significant impact on the musculoskeletal functions of the body.”

FINDINGS

Background on Alopecia and Cranial Hair Prostheses

1. Best estimates indicate that approximately 40,000 people in Washington suffer from Alopecia. Of those about 7%, or 2800, have the most severe forms (Universalis or Totalis) which causes all hair on the head or all

body hair to fall out, usually within a very short period of time. The exact cause of this disease and successful treatment have been elusive.

2. Cranial hair prostheses differ from wigs most notably in that wigs usually are designed to attach to a person's hair, and cranial hair prostheses are designed for a person without hair and to fit the individual's head. Wigs are not made to last as long or to be used in some situations, such as extreme heat, which damages the wig fibers. The overall appearance, comfort to the individual and ability to last are important features for patients that cranial hair prostheses have over wigs.
3. Nationwide, claims for these devices are not handled uniformly. Some health plans will provide coverage under prosthetic benefits or sometimes under mental health benefits. Challenges to claims denials are occasionally successful, notably the New York State Supreme Court ruling (see Appendix F), and sometimes they are not.
4. The common definition of prostheses, including that in state statute for regulation of prosthetic device makers, does not match the definition of a cranial hair device. Makers of cranial hair prosthetic devices do not have to be licensed. "Cranial hair prosthesis" does not specifically fit the usual medical term "prosthesis," which usually implies a physically functioning hand, foot or eye. Arguments made (including the one by the New York court) that a broad definition of "prosthesis" could include "cranial hair prosthesis" are also worth considering

Social Impact of the Proposal

5. There are scattered reports of workplace and other social problems, especially affecting children, for those with Alopecia Totalis or Universalis. The scientific literature is inconclusive on the causes and solutions to these psychological and social problems. The stress caused by the onset of the severe forms of this disease is documented. There are no scientific studies of whether cranial hair prostheses are effective in alleviating stress or psychological problems secondary to Alopecia.

Financial Impact of the Proposal

6. 6. Based on information provided to the department, patients are often able to obtain either a synthetic fiber wig or cranial hair prosthesis even when they are not allowed insurance benefits. The need for these patients to have the best device that they can afford can mean that they find a way to

obtain it. Assurances of coverage through the proposed legislation does not necessarily mean that a greater number of patients would obtain devices.

7. Proponents argue that there could arguably be a similarity between an insurer covering an external (nonsurgical) breast prosthesis for breast surgery patients and an insurer covering cranial hair prostheses for Alopecia Areata patients. In these, as well as other, cases, it is unclear whether the determinant for payment is medical necessity or another appropriate standard. Neither external breast prostheses and nor cranial hair prostheses are physically functional devices.

8. **Costs:** (See Appendix C)

In Washington state, the Health Care Authority (HCA) reports that the monthly cost to the PEBB per subscriber per month would be \$0.50 for the Uniform Medical Plan and \$0.56 for the contracted managed care plans. (The estimate for all PEBB costs in FY1999 is approximately \$937,000.) This would increase over time with medical cost inflation. The agency also estimates that the per subscriber cost for non-PEBB plans would be the same.

One assumption in this estimate is that no PEBB plans were currently paying this type of claim; there was no evidence available to support or refute this assumption. This estimate also does not reflect state-employee turnover or other similar factors. The figures reflect an assumption that approximately 60% of those eligible would use the benefit, choosing a device valued at \$2,700 every 2.5 years.

The proponent cited two studies in other states (New Hampshire and Michigan) that contained substantially lower estimates of the per subscriber and total costs, but it was not possible to verify the accuracy of those estimates or to compare the situation in each state with Washington.

Based on all the information available, the HCA estimate of the cost impact of the legislation may be high but the department cannot confirm this.

Clearly stating patient rights might reduce costs (both public and insurer) associated with filing, reviewing and appealing petitions for this insurance coverage. However, this bill does not address this issue, and a non-legislative approach to this same end

might yield the same benefit. Any legislation on patient rights should be broad, rather than condition specific.

Overall, the department found little data to support claims of economic benefits from the proposed legislation.

Health Care Efficacy

9. There was some ambiguity in testimony concerning the public's belief that cranial hair prostheses can save other, more expensive, health care costs. No studies were presented showing that other health care costs, such as counseling or medical treatments of the scalp, or prevention of the worsening or recurrence of the underlying disease, would be reduced in the long term if the legislation were passed.
10. This legislation is purported to result in many benefits: reduce or eliminate the need for other medical treatments (including counseling); ensure that individuals suffering from alopecia would obtain cranial hair prosthesis and thereby improve their self-esteem; and reduce the frustration and cost associated with petitioning insurers -- including the appeal processes -- to provide this coverage. At this point data limitations do not allow firm conclusions on these claims. However, available data do indicate that providing this coverage would not reduce or eliminate the need for other medical treatments. For this to occur would assume that patients forego counseling and attempts at cures once they are assured of prostheses.

DISCUSSION OF AVAILABLE INFORMATION

This concluding section of the report reviews available information in greater depth. It is offered in support of the findings above, and the report's recommendations which, along with rationales, are found in the Executive Summary.

Applicant Group Report

(a detailed presentation of this information is in Appendix B)

Background

Hair loss due to Alopecia is a very traumatic, emotional, and devastating disease. If a person suffering from Alopecia purchases a prosthetic device and submits a claim to an insurance company for reimbursement, the company is very likely to deny the

claim, on the grounds that hair replacement for Alopecia is “cosmetic”. The intent of this applicant report is to stress the importance of proper insurance coverage for people with Alopecia.

The importance of a cranial prosthesis is the ability to continue with a normal life style. One can participate in athletics, be able to work in any job atmosphere, and always have a feeling of self-confidence. These systems are very expensive, and without coverage, most people cannot afford them. A cranial prosthesis is not a tummy tuck, face-lift, or liposuction; it is a replacement for the loss of a body part.

Social Impact

The lack of this benefit has resulted in patients with Alopecia Totalis or Universalis spending a great deal of money, time, and mental anguish on fighting the insurance companies for coverage. It is the emotional as well as physical needs that a cranial prosthesis fulfills. The necessity for clarification of this benefit to include the verbiage “cranial prosthesis” and a defined benefit limit of coverage, will allow fairness both for the insured, and the insurance company.

Financial Impact

Other treatments for people with Alopecia are both medical and mental. One form of medical treatment is the use of topical creams, monoxidil, and cortizone. Some of these treatments include direct injections into the scalp, eyebrow, and eyelid area. These treatments might result in hair growth, however, they are treatments that need to continue monthly (for the injections) or even for the rest of a persons life (topical ointments, etc.). These treatments tend to be very expensive costing into the tens of thousands of dollars, and painful.

For the people with more severe forms of Alopecia, purchasing a quality prosthesis can be economically more efficient. The initial cost might be higher than that of a manufactured synthetic wig, however, the life of the prosthesis is longer with proper maintenance. It might be only necessary to purchase one prosthesis every 2-3 years, Vs purchasing a wig 3-4 times a year.

Studies in New Hampshire and Michigan show that the cost of implementing this policy is very low (3 cents per Blue Cross subscriber per year in New Hampshire).

Evidence of Health Care Service Efficacy

It has been difficult to locate studies in Washington State relating to the effects, numbers of people, etc., who are diagnosed with Alopecia.

By having this service, those patients who have insurance coverage will be able to purchase a quality prosthesis and continue to function normally. Because the treatments for Alopecia can be painful, expensive, and could go on indefinitely, having prosthesis relieves the sacrifices that these treatments can consist of.

Prosthesis coverage for Alopecia patients is as important as breast reconstructive coverage for cancer patients. Because both of these diseases result in a lost body

part due to the disease, insurance companies should be able to limit and offer the benefit consistently, avoiding costly appeals for reconsideration of claims.

Literature Review

(a detailed presentation of the literature review appears in Appendix D)

Most articles reviewed addressed physical and psychological affects of Alopecia, as well as the causes. Treatments were described; no single, effective treatment has been found. Counseling is often provided to patients because of the stress involved with the disease. Alopecia is a “physiologically compelling form of hair loss.” Problems associated with impacts on children are noted in the literature.

“No dermatologic disorder poses so little threat to health and physical comfort and yet is so emotionally devastating as Alopecia areata...management is problematic because of the considerable cosmetic disability imposed by extensive and visible hair loss...opinions vary as to whether or not any of the currently employed therapeutic modalities is effective...” (Esterly 1987).

“Alopecia areata is important because it may cause a profound alteration in the functional status of the patient both at work and at school. This is due to the fact that much of the public is still not familiar with AA and its variants....adults have lost their jobs because of their hair loss, they have been harassed and accused of belonging to extremist cults...and children have been moved from mainstream to special education...” (American Academy of Dermatology)

Public Testimony

(A detailed presentation of public testimony appears in Appendix E.)

Evelyn Langlois described the significant emotional and physical impacts the disease had on her young sister. Her classmates “were very cruel, tormenting her whenever possible.” The sister has had several bouts of the disease. Regular wigs were not satisfactory as they could easily be pulled off. “Not only did she have to resolve “normal” pre-teen issues, but also issues of fear from other people.”

“Please do not allow my daughter, or anyone else if diagnosed with Alopecia, to go through life with wigs that do not fit, that fall off and look terrible. Alopecia is not a cosmetic condition as the insurance companies claim; instead it is a very devastating and disabling disease that can hit anyone at any age.”

Health Care Authority Analysis

(the full submission from HCA appears in Appendix C.)

Estimates for the additional per month cost for each subscriber of a Public Employee Benefits Board (PEBB) health plan are \$.50 to \$.59 over the next two fiscal years. These figures indicate that .34% of PEBB subscribers have severe forms of Alopecia.

In the past two years, 243 people who are PEBB subscribers and have Alopecia have filed 900 claims. There is no specific mention of cranial hair prostheses in these claims.

All PEBB plans cover the initial external prosthesis and bra necessitated by surgery of the breast and replacement of these items when necessitated by normal wear, a change in medical condition, or when additional surgery is performed that warrants a new prosthesis and/or bra.

REBUTTAL STATEMENTS

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APPENDIX A

SENATE BILL 5493

SENATE BILL 5493

State of Washington 55th Legislature 1997 Regular Session

By Senators Spanel, Deccio, Wojahn, Wood, Franklin, Strannigan and Fairley

Read first time 01/28/97. Referred to Committee on Health & Long-Term Care.

1 AN ACT Relating to coverage for cranial hair prostheses for
2 alopecia areata; adding a new section to chapter 41.05 RCW; adding a
3 new section to chapter 48.20 RCW; adding a new section to chapter 48.21
4 RCW; adding a new section to chapter 48.44 RCW; adding a new section to
5 chapter 48.46 RCW; and creating a new section.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. Sec. 1. (1) The legislature finds the following:

8 (a) Alopecia areata and its variants, alopecia totalis and alopecia
9 universalis, are common, noncontagious diseases that affect an
10 estimated two million Americans. They are diseases of the hair
11 follicle with results ranging from large patches of baldness to the
12 total loss of all body hair. This hair loss can be acute and short-
13 lived, occurring in just days or weeks, or chronic with years of
14 regrowth in some sites and progression to new sites.

15 (b) Alopecia areata and its variants are associated with an
16 alteration in the immunological system, but their cause is unknown.

17 (c) Treatments for alopecia areata, totalis, and universalis using
18 immunomodulating agents can stimulate new hair growth, but none prevent
19 new patches from developing. These treatments must be continued to

1 maintain their effect, but treatment for alopecia areata may stop when
2 the disease goes into spontaneous remission. There are concerns
3 surrounding the long-term use and side effects of some of the
4 treatments.

5 (d) Patients with alopecia areata, totalis, and universalis may
6 suffer a profound alteration in their functional status, particularly
7 women and children. There are documented cases of adults who have lost
8 their jobs, have been harassed, and have been accused of belonging to
9 extremist cults because of their appearance due to hair loss. Children
10 with alopecia areata, totalis, or universalis have been removed from
11 mainstream classes and placed in special education classes and
12 ostracized by their peers.

13 (e) Alopecia areata, totalis, and universalis are recognized
14 medical disease processes, which cause severe hair loss that can alter
15 a patient's functional status. The use of cranial hair prostheses
16 returns patients to their previous functional status.

17 (2) It is the intent of the legislature to clarify that policies
18 that provide benefits for prostheses must provide benefits for cranial
19 hair prostheses for alopecia areata, totalis, or universalis.

20 NEW SECTION. Sec. 2. A new section is added to chapter 41.05 RCW
21 to read as follows:

22 All state-purchased health care that provides coverage for
23 prostheses shall include coverage for cranial hair prostheses for
24 patients suffering from alopecia areata, totalis, or universalis, to
25 the extent that benefits are provided for alopecia areata, totalis, or
26 universalis, provided that such services are delivered upon the
27 recommendation of the patient's physician or advanced registered nurse
28 practitioner as authorized by the nursing care quality assurance
29 commission pursuant to chapter 18.79 RCW or physician assistant
30 pursuant to chapter 18.71A RCW.

31 This section shall not be construed to prevent the application of
32 standard health plan provisions applicable to other benefits such as
33 deductible or copayment provisions. This section does not limit the
34 authority of the state health care authority to negotiate rates and
35 contract with specific providers for the delivery of prostheses. This
36 section does not apply to medicare supplement policies or supplemental
37 contracts covering a specified disease or other limited benefits.

1 NEW SECTION. Sec. 3. A new section is added to chapter 48.20 RCW
2 to read as follows:

3 An insurer that offers to any individual a health benefit plan that
4 provides coverage for prostheses shall include coverage for cranial
5 hair prostheses for patients suffering from alopecia areata, totalis,
6 or universalis, to the extent that benefits are provided for alopecia
7 areata, totalis, or universalis, provided that such services are
8 delivered upon the recommendation of the patient's physician or
9 advanced registered nurse practitioner as authorized by the nursing
10 care quality assurance commission pursuant to chapter 18.79 RCW or
11 physician assistant pursuant to chapter 18.71A RCW.

12 This section shall not be construed to prevent the application of
13 standard health plan provisions applicable to other benefits such as
14 deductible or copayment provisions. This section does not limit the
15 authority of the state health care authority to negotiate rates and
16 contract with specific providers for the delivery of prostheses. This
17 section does not apply to medicare supplement policies or supplemental
18 contracts covering a specified disease or other limited benefits.

19 NEW SECTION. Sec. 4. A new section is added to chapter 48.21 RCW
20 to read as follows:

21 A group insurance contract or blanket disability insurance contract
22 that provides coverage for prostheses shall include coverage for
23 cranial hair prostheses for patients suffering from alopecia areata,
24 totalis, or universalis, to the extent that benefits are provided for
25 alopecia areata, totalis, or universalis, provided that such services
26 are delivered upon the recommendation of the patient's physician or
27 advanced registered nurse practitioner as authorized by the nursing
28 care quality assurance commission pursuant to chapter 18.79 RCW or
29 physician assistant pursuant to chapter 18.71A RCW.

30 This section shall not be construed to prevent the application of
31 standard health plan provisions applicable to other benefits such as
32 deductible or copayment provisions. This section does not limit the
33 authority of the state health care authority to negotiate rates and
34 contract with specific providers for the delivery of prostheses. This
35 section does not apply to medicare supplement policies or supplemental
36 contracts covering a specified disease or other limited benefits.

1 NEW SECTION. Sec. 5. A new section is added to chapter 48.44 RCW
2 to read as follows:

3 A health service contractor that provides coverage for prostheses
4 shall include coverage for cranial hair prostheses for patients
5 suffering from alopecia areata, totalis, or universalis, to the extent
6 that benefits are provided for alopecia areata, totalis, or
7 universalis, provided that such services are delivered upon the
8 recommendation of the patient's physician or advanced registered nurse
9 practitioner as authorized by the nursing care quality assurance
10 commission pursuant to chapter 18.79 RCW or physician assistant
11 pursuant to chapter 18.71A RCW.

12 This section shall not be construed to prevent the application of
13 standard health plan provisions applicable to other benefits such as
14 deductible or copayment provisions. This section does not limit the
15 authority of the state health care authority to negotiate rates and
16 contract with specific providers for the delivery of prostheses. This
17 section does not apply to medicare supplement policies or supplemental
18 contracts covering a specified disease or other limited benefits.

19 NEW SECTION. Sec. 6. A new section is added to chapter 48.46 RCW
20 to read as follows:

21 A health maintenance organization that provides coverage for
22 prostheses shall include coverage for cranial hair prostheses for
23 patients suffering from alopecia areata, totalis, or universalis, to
24 the extent that benefits are provided for alopecia areata, totalis, or
25 universalis, provided that such services are delivered upon the
26 recommendation of the patient's physician or advanced registered nurse
27 practitioner as authorized by the nursing care quality assurance
28 commission pursuant to chapter 18.79 RCW or physician assistant
29 pursuant to chapter 18.71A RCW.

30 This section shall not be construed to prevent the application of
31 standard health plan provisions applicable to other benefits such as
32 deductible or copayment provisions. This section does not limit the
33 authority of the state health care authority to negotiate rates and
34 contract with specific providers for the delivery of prostheses. This
35 section does not apply to medicare supplement policies or supplemental
36 contracts covering a specified disease or other limited benefits.

--- END ---

APPENDIX B

DETAILED APPLICANT GROUP REPORT

Detailed Applicant Group Report

Background

Hair loss due to Alopecia is a very traumatic, emotional, and devastating disease. If a person suffering from Alopecia purchases a prosthetic device and submits a claim to an insurance company for reimbursement, the company is very likely to deny the claim, on the grounds that hair replacement for Alopecia is "cosmetic". The intent of this applicant report is to stress the importance of proper insurance coverage for people with Alopecia. The final result of this report would be adding new sections of law for mandatory insurance coverage to include cranial prostheses for patients suffering from Alopecia.

In order to appreciate the significance of insurance coverage for cranial prosthesis, one must understand the differences of a cranial prosthesis vs. a wig, and the definition of "cosmetic". The definition of cosmetic is, "imparting or improving beauty, especially, of the face" and "used *superficially* to make something *look better, more attractive, or, more impressive*". In Dorland's Illustrated Medical Dictionary 27th Edition, prosthesis is defined as, "*an artificial substitute for a missing body part, such as an arm, leg, eye, or tooth, used for functional or cosmetic reasons, or both.*" Wig as defined by Webster is, "an artificial head covering of hair, worn e.g., as a part of an *artificial costume, or for ornamentation or disguise*". A wig is worn over existing hair allowing one to use clips or bobby pins to secure the wig to the hair. When one has Alopecia Totalis, (total loss of scalp hair) there is no hair to secure a wig to. Wigs are made to wear over the hair and do not fit properly for people with Alopecia. This results in the wig falling off or being pulled off by others. This can be very traumatic for anyone, especially a child.

A cranial prosthesis is custom made by making a fiberglass mold of the scalp, and recreating a natural hairline. The mold will be used to make the base of the prosthesis, guaranteeing a perfect fit. Before purchasing a custom made prosthetic device, one must take time for some research. There are different types of prosthetic devices; soft base and hard based. Hard Based hair replacements are made of plastic, and are attached to the scalp by a vacuum basis. Soft Based hair systems are made with a fine nylon netting where the hair is sewn to the base. There is a latex trim around the hairline edge so the system can be attached to the scalp with a special double stick tape, or liquid adhesive. Both systems are made with 100% human hair usually matching the patient's natural hair color, which allows for curling, blow drying, perming, washing, conditioning, etc., as you would do with your natural hair. These systems cost run from \$1500 to \$3900 for one system.

The importance of a cranial prosthesis is the ability to continue with a normal life style. One can participate in athletics, be able to work in any job atmosphere, and always have a feeling of self-confidence. These systems are very expensive, and without coverage, most people cannot afford them. A cranial prosthesis is not a tummy tuck, face-lift, or liposuction; it is a replacement for the loss of a body part.

Social Impact

Approximately thirty six thousand people in our State are diagnosed with Alopecia and approximately 2500 people with the severe forms, Totalis and Universalis (20% are children). It is believed that about 7% of the people diagnosed with Alopecia evolve into the more severe forms. Of the different stages of Alopecia, Totalis, (total scalp hair loss) and Universalis (total body hair loss) are the most devastating for women and children. People with Alopecia Areata (hair loss in areas) can be treated with topical creams and other treatments which, in most cases, result in hair regrowth. It is unknown how many people with Alopecia have medical insurance, however, those patients with the more severe types must have a cranial prostheses in order to continue a "normal" life.

Alopecia patients with the severe forms who need prosthetic devices have been denied insurance coverage due to the "cosmetic" umbrella insurance companies use for denials. For example: a Washington State insurance provider denied Patient "A" the first claim for a prosthetic device. Patient "A" submitted pictures of her bald head and a letter from the doctor prescribing a "cranial prosthetic device" and the insurance company still denied the claim stating "denial of coverage for cosmetic reasons". It wasn't until patient "A" obtained an attorney to request a letter of reconsideration for the claim, did she receive some coverage. By stating the emotional side effects of Alopecia in a letter, the attorney succeeded in having the claim covered under mental health benefits of the insurance policy. (Cost of the cranial prosthesis in 1994 was \$2200.00). However, even when the company agreed to pay the claim under mental health benefits, (at a total of \$4000.00 per year) a second claim was filed the next year and the insurance company again, denied coverage.

People across the country have experienced the same inconsistent treatment. Some have received coverage, others have not. Some incidents have resulted in one time coverage, then cancellation of the insured. This type of inconsistency will stop when this benefit is enacted, clarifying prosthetic coverage.

The lack of this benefit has resulted in patients with Alopecia Totalis or Universalis spending a great deal of money, time, and mental anguish on fighting the insurance companies for coverage. It is the emotional as well as physical needs that a cranial prosthesis fulfills. The necessity for clarification of this benefit to include the verbiage "cranial prosthesis" and a defined benefit limit of coverage, will allow fairness both for the insured, and the insurance company.

Examples were provided by the NAAF of people without a prosthetic device. These examples show the importance of being able to have a cranial prosthetic device and the insurance coverage to purchase one.

LOSS OF A JOB; IMPORTANCE OF A FULL SCALP PROSTHESIS.

- 22 Year old man from Florida was denied entry into military because he had Alopecia Universalis.
- 28 Year old carpenter in CA was fired when he developed Alopecia Universalis. He cannot walk in the center of town alone because he is harassed and accused of belonging to extremists cults.
- 32 Year old Delta Airline flight attendant from Louisiana developed Alopecia Totalis and was not allowed to work unless she wore a scalp prosthesis on the job.
- 32 Year old woman in WA was told that she could not bartend at the American Legion post in her hat, and would have to wear a scalp prosthesis.

PROBLEMS FOR SCHOOL CHILDREN:

- 9 Year old girl in Georgia was placed in special education classes because of her Alopecia Areata.
- 10 Year old girl in Texas with Alopecia Totalis had her wig pulled off by peers in school class with teacher present. Girl had to change schools because of her tormenting.
- 11 Year old, articulate boy in CA was sent to special education classes for the handicapped when he developed Alopecia Totalis.
- 13 Year old boy in Oklahoma was suspended from school because he would only come to school with a hat to hide his Alopecia Areata. Wearing a hat was against the rules.
- 12 Year old girl in WA lost her hair due to Alopecia Totalis; she had to return to school after summer vacation with a wig, which did not fit her, nor did not attach to her scalp. The children in her school pulled her wig off, threw it around, then teased and tormented her with name calling.
- 15 Year old teenager from Maryland tried to commit suicide for months after developing Alopecia Areata.

Financial Impact

In theory, by offering insurance coverage, retailers would have a larger demand for the prosthetic device. This should result in greater production of prosthetic devices and the cost per device for the manufacture should decrease. The decrease in cost of production of the prosthetic should decrease for the consumer, and the insurance company. By having the benefit, the insurance company can set limitations, and having the coverage will allow more use on the benefit.

Other treatments for people with Alopecia are both medical and mental. One form of medical treatment is the use of topical creams, monoxidil, and cortizone. Some of these treatments include direct injections into the scalp, eyebrow, and eyelid area. These treatments might result in hair growth, however, they are treatments that need to continue monthly (for the injections) or even for the rest of a persons life (topical ointments, etc.). These treatments tend to be very expensive costing into the tens of thousands of dollars, and painful.

For the people with more severe forms of Alopecia, purchasing a quality prosthesis can be economically more efficient. The initial cost might be higher than that of a manufactured synthetic wig, however, the life of the prosthesis is longer with proper maintenance. It might be only necessary to purchase one prosthesis every 2-3 years, Vs purchasing a wig 3-4 times a year.

Counseling is also used for Alopecia treatment. This helps with emotional impact of Alopecia. However, counseling can go on for an indefinite amount of time. All the above treatments are costly, and are not a cure. With having this benefit, it can allow for people with Alopecia Totalis and Universalis to purchase a prosthetic device as an alternate treatment and avoid medical treatment costs that could go on indefinitely for the insurance company.

Insurance companies in other states have recognized the importance of the cranial prosthesis, and are providing insurance coverage for Alopecia patients. In the case of McKinley Vs Blue Cross Shield of Iowa, the insurance company determined that "In evaluating the potential risk of occurrence of this condition and the reasonable expected costs associated with providing coverage, we have concluded that the overall financial impact on our subscribers' rates will be negligible. Therefore, we are willing to provide coverage for hair prosthesis for individuals who have this medical condition."

Since most insurance contracts have prosthetic coverage in their policies, the companies will be able to limit the benefit as with any other benefit. In the New Hampshire study, the insured cost increased by 3 cents per year. Because the quality of most synthetic wigs do not compare with a custom made prosthesis, one can purchase as many as three or four wigs per year, costing \$1200.00 per year. A quality made prosthesis can last up to three years, therefor the first initial cost might be high, but the life of the prosthesis is longer. This could result in less overall costs for the insurance company and the insured.

Evidence of Health Care Service Efficacy

It has been difficult to locate studies in Washington State relating to the effects, numbers of people, etc., who are diagnosed with Alopecia. Unfortunately, I am unable to find anything.

By having this service, those patients who have insurance coverage will be able to purchase a quality prosthesis and continue to function normally. Because the treatments

for Alopecia can be painful, expensive, and could go on indefinitely, having prosthesis relieves the sacrifices that these treatments can consist of.

A quality prosthesis can allow the Alopecia patient to continue a normal life, greatly improve their mental health status as well as the physical health status. Alopecia is the type of disease that some patients feel it is better to keep "in the closet", however, with the help of support groups in Washington some patients are able to deal with their disease.

Prosthesis coverage for Alopecia patients is as important as breast reconstructive coverage for cancer patients. Because both of these diseases result in a lost body part due to the disease, insurance companies should be able to limit and offer the benefit consistently, avoiding costly appeals for reconsideration of claims.

Charlé

... a hair studio

PRICE LIST, EFFECTIVE MARCH 1995

THE FOLLOWING HAIR PIECE PRICES DO NOT INCLUDE STYLING CHARGES. STYLING COSTS RANGE FROM \$150.00 TO \$350.00 DEPENDING UPON TYPE OF HAIR PIECE, AND SERVICE REQUIRED.

SYNTHETIC HAIR PIECE STYLING CHARGES START AT \$50.00 PER HOUR, MINIMUM ONE HOUR.

CHARLE...A HAIR STUDIO OFFERS SEVERAL CATEGORIES OF HAIR REPLACEMENTS, AS FOLLOWS;

READY MADE SOFT BASE CATEGORY: PRICE

HUMAN HAIR 8 - 14 CHILD'S READY MADE	\$495.00
HUMAN HAIR 8" MAN'S READY MADE	\$795.00
HUMAN HAIR 8 - 12" READY MADE	\$795.00
HUMAN HAIR 14" ROOT COLOR READY MADE	\$950.00

DELIVERY, APPROXIMATELY 1 TO 2 WEEKS

CUSTOM MADE, HUMAN HAIR SOFT BASE CATEGORY; PRICE

MEN'S PARTIAL PIECE	\$1200 - \$1500
---------------------	-----------------

COPPERLITE INTERLUSION (INTEGRATION- INDIAN HAIR)

8" FINISHED LENGTH	\$1500.00
10" " "	\$1600.00
12" " "	\$1700.00
14" " "	\$1800.00

ADD \$200.00 FOR PANEL, \$150.00 IF MOLDED FOR CUSTOM CAP.
CHRYSALIS INTEGRATION SAME AS ABOVE. (MUST BE MOLDED).

DELIVERY 4 TO 6 MONTHS

CUSTOM EXPRESS OVERNIGHT / INDIAN HAIR
7 COLOR CHOICES, 12-14" LENGTH, 3 CAP SIZES \$995.00
DELIVERY, APPROXIMATELY 1 WEEK (IF IN STOCK)

CUSTOM EXPRESS REGULAR
COLOR RING, CHOICE OF 7 SIZES

8" FINISHED LENGTH	\$1400.00
10" " "	\$1450.00
12" " "	\$1500.00
14" " "	\$1550.00

ADD \$100.00 FOR EXACT HAIR COLOR MATCH
DELIVERY, 4 TO 6 WEEKS

CUSTOM COMBINATION HARD/SOFT BASE;
CUSTOM ELITE / INDIAN HAIR

8" FINISHED LENGTH	\$2050.00
10" " "	\$2150.00
12" " "	\$2300.00
14" " "	\$2500.00

DELIVERY, 4 TO 6 MONTHS

CUSTOM SUCTION HARD AND SOFT BASE
POLYURETHANE BASE/EUROPEAN HAIR

8 "	\$2700.00
10"	\$2800.00
12"	\$3050.00
14"	\$3300.00
OVER 16" (SPECIAL ORDER)	\$3500.00

SILICON BASE/EUROPEAN HAIR, PRICES SAME AS ABOVE. INDIAN HAIR,
DEDUCT \$350.00. DELIVERY, 4 TO 6 MONTHS

FIBERGLASS BASE/EUROPEAN HAIR

8"	\$2840.00
10"	\$2950.00
12"	\$3225.00
14"	\$3500.00
16"	\$3750.00

DELIVERY, 4 TO 6 MONTHS

NOTE;
WHEN ORDERING LENGTH FOR ANY HAIR REPLACEMENT, KEEP IN MIND THAT
1" TO 2" OF LENGTH IS LOST IN IMPLANTATION

Naturally You

a division of New Concepts Hair Goods, Inc.

for

FULL CRANIAL PROSTHETICS

The "Naturally You" Vacuum I – 100% silicone base with 100% European human hair:

<u>Hair Length</u>	<u>Retail Price</u>
8"	\$2,990
10"	\$3,290
12"	\$3,590
14"	\$3,890

you buy one and get one free
must be made prior to 12/31/95.

What is "Naturally You"?

"Naturally You" is your hair, real human hair that brings out the real you in the color of your choice. It's part of what we call a vacuum, or suction, base. This base permits you to securely attach your hair and keep it on . . . all the time. You are free again; free to walk into work or shopping centers looking the way you want, being confident, and bringing back your real self.

Since it's your hair securely on, you can play with your kids without fear, do the things you always wanted to do like dancing, aerobics, swimming and boating, roller blading, and just walking in the wind without worry.

Do what you want – it's your hair. It's "Naturally You."

Hair for You

"Naturally You" hair is beautiful, 100% European human hair. It is the hair that is perfect for you . . . fine yet rich in silky softness and brilliance. It does not tangle or frizz, and can be cut, styled, and permed. This highest quality hair is going to last, but most of all it's going to become part of you and make you look good.

The Soft Silicone Base

Soft silicone is the latest development in base material. It is softer and less rubbery than polyurethane, the other soft base material, and will hold together longer. It is also lighter and more manageable than hard base units. What this means is that you will feel more comfortable with the soft silicone base, much less aware that you are "wearing something." You will enjoy your new hair for a long time and appreciate the resilience and comfort of your base. For those of you who need them, hard base vacuum hairpieces are available upon request.

APPENDIX C

HEALTH CARE AUTHORITY ANALYSIS



STATE OF WASHINGTON

HEALTH CARE AUTHORITY

676 Woodland Square Loop S.E., P.O. Box 42682 • Olympia, Washington 98504-2682
 (360) 923-2600 • FAX (360) 923-2609 • TDD (360) 923-2701

December 16, 1997

TO: Roger Neumaier, Assistant Administrator
 Finance and Administration

FROM: Lisa Skillin; Financial & Rate Analyst

SUBJECT: Analysis for Department of Health Mandatory Benefit for Cranial Hair
 Prosthesis for Persons Suffering from Alopecia areata, totalis, or universalis

Attached to this memo is the fiscal impact for mandating health benefit coverage for cranial hair prosthesis for persons suffering from Alopecia areata, totalis or universalis. The fiscal impact is calculated based on the total cost to the state for PEBB plans, the total cost to individuals suffering from Alopecia covered by PEBB plans and the PEBB cost per subscriber per month.

The mandated benefit reviewed by the Department of Health would require all state-purchased health care that provides coverage for prosthesis include coverage for cranial hair prostheses. Our actuarial consultants, William Mercer Inc., do not have an estimate of what percentage the PEBB total subscribers represent of the total state-purchased health care subscribers. We are, however, assuming that the cost per subscriber per month for other state purchased health care subscribers would be the same as the cost for PEBB subscribers. If Mr. Steve Boruchowitz is able to obtain the total state-purchased health care subscribers from another source, he can use the information below to determine the cost for the remaining state purchased health care subscribers.

I. Summary:

	Total PEBB Premium Costs	Individual Co-Pay Costs	PEBB Cost Per Subscriber Per Month
Uniform Medical Plan			
FY 1998 (6 mos.)	\$ 92,836	\$ 10,315	\$.50
FY 1999	\$ 193,099	\$ 21,455	\$.52
Managed Care Orgs.			
FY 1998 (6 mos.)	\$ 357,639	\$ 89,410	\$.56
FY 1999	\$ 743,889	\$ 185,972	\$.58

Roger Neumaier
Page 2
December 16, 1997

II. Detail

Background On Alopecia

Alopecia is a disease that may cause a person suffering from the disease to lose some or all of their hair. For some patients the use of topical creams, minoxidil or cortisone may be successful treatment. However, for many patients these and other treatments are unsuccessful and a cranial hair prosthesis is required. Our actuarial consultants, William Mercer Inc. have estimated that .34% of members covered by PEBB plans suffer from Alopecia. PEBB members include the employee plus spouse and children covered by the PEBB plans. PEBB subscribers include only the covered employee. The health plans submit their bids to the Health Care Authority based on a per subscriber per month calculation. The number of claims per year for Alopecia is based on the assumption that .34% of PEBB plan members will require a new prosthesis every 2.5 years. The costs to the State, however, have been converted to a per subscriber per month basis.

Assumptions Used in Calculating the Cost Impact to PEBB:

1. The average cost of the cranial hair prosthesis would be \$2700.
2. Approximately .34% of PEBB members suffer from Alopecia and would require a cranial hair prosthesis on average every 2.5 years.
3. The mandated benefit would be in effect for 6 months of FY 1998 and all of FY 1999.
4. The Health Care Authority could increase the employees contributions in FY 1999 to cover the additional costs for cranial hair prosthesis. The above analysis assumes the PEBB absorbs the additional cost in FY 1999 and that there is no impact to the employee contributions.
5. Medical inflation for FY 1999 is 4 percent.
6. Uniform Medical Plan would reimburse 90 percent of the prosthesis cost and on average Managed Care Organizations would reimburse 80 percent. The remaining percent would be the co-payment amount paid by the individuals suffering from Alopecia.
7. Persons suffering from diseases other than Alopecia and requiring cranial hair prosthesis are not included in this analysis. For example persons who lost their hair due to chemotherapy would not be covered by this mandated benefit.
8. The analysis also does not include any potential impact from turnover and or addition of new state employees.

This information should be viewed as an update to previous agency analysis. I will put a copy of the analysis with the previous fiscal note.

III. Answers to Mr. Boruchowitz's Other Questions:

1. Could the mandated benefit be modeled similar to vision benefits? Per my conversation with Beth Berendt, Assistant Administrator, HCA Health Plan Management, whether or not the mandated benefit could be structured similar to vision benefits, i.e. \$1500 for every 3 years,

Roger Neumaier

Page 3

December 16, 1997

would depend on how the mandate was worded. Substitute Senate Bill 6468 from the 1996 session does not contain any wording that limits the frequency of the mandated benefit.

2. Does Medicaid cover prosthesis? Per Patty Balestra of Medical Assistance, Medicaid reviews the coverage of prosthesis on a case by case basis. The use of the prosthesis has to be medically appropriate and there has to be no other less expensive treatment available.
3. What is the review process for a PEBB covered person who is denied a cranial hair prosthesis? Per Mich'l Needham, Deputy PEBB Program Manager, a person has to have completely exhausted the appeal process with their plan before they can appeal to the PEBB. Each appeal is handled on a case by case basis.

LS:tcr

Attachment

cc: Steve Boruchowitz; DOH
Dennis Martin
Mich'l Needham
Beth Berendt

APPENDIX D

DETAILED LITERATURE REVIEW

Detailed Literature Review

Alopecia is a “physiologically compelling form of hair loss.” It may be “associated with autoimmune disorders, especially of the thyroid. Its effective treatment often poses a difficult challenge.” (Schwartz and Janniger, 1997).

“Alopecia areata usually presents itself as an isolated, asymptotic loss of hair from a circumscribed plaque usually on the scalp, with regrowth in a few months. This limited form (partialis) may progress to total loss of hair from the scalp and other sites (totalis.)” Many studies have tried to find a link between psychological factors and the onset of this disease. Some incidence of associated disorders was found in a Mayo Clinic study of 736 cases, notably a higher incidence in younger people, hypersensitivity such as asthma in 18% of children, and psychiatric disorders in 20% of patients, and acute emotional stress in 12% of the cases. (Cohen, et al, 1967)

“No dermatologic disorder poses so little threat to health and physical comfort and yet is so emotionally devastating as Alopecia areata...management is problematic because of the considerable cosmetic disability imposed by extensive and visible hair loss...opinions vary as to whether or not any of the currently employed therapeutic modalities is effective...” (Nancy Burton Esterly, Editor, Pediatric Dermatology (1987).

Studies indicate an increased prevalence of psychiatric disorders in Alopecia patients. Koo et al reported in 1994 that “Alopecia patients are at a higher risk of developing psychiatric comorbidity during their clinical course.” (See also Colon et al, 1991)

Others report psychiatric problems to be associated with causes of Alopecia.

“Psychosocial stress has been reported to play an important role in the onset and/or exacerbation of symptoms in Alopecia areata. However, the nature of the association between stress and AA remains unclear.” (Gupta et al, 1997)

“Patients whose Alopecia is stress-reactive may suffer from depressive illness, a potentially important consideration in the overall management of such patients.” (Gupta et al, 1997). A study of case histories “indicated significantly frequent occurrence of the psychic factors preceding the occurrence of Alopecia areata.” (Kygledowska and Bogdanowski, 1996)

On the other hand, some studies did not find significant psychopathology present in adolescent Alopecia patients (Reeve et al, 1996), or that “there is also evidence that lack of positive life events in the prealopecia period played a role in their [child patients] lives....fewer children with Alopecia had positive life events the year before AA than controls in a similar time period.” (Liakopoulou et al, 1997).

Therapies for Alopecia include nutrients, hormones, antiandrogens, anti-inflammatory drugs and immunomodulators. (American Academy of Dermatology)

“The child or adolescent with Alopecia areata should be evaluated for associated autoimmune diseases initially and intermittently during follow-up visits.” (Bergfeld, 1987)

One case study (1994) found that the use of rewards, massage and relaxation had a positive effect on hair growth in a 16 year old subject. (Putt et al) However, there is no consensus on effective, permanent treatment in AA patients.

“Alopecia areata is important because it may cause a profound alteration in the functional status of the patient both at work and at school. This is due to the fact that much of the public is still not familiar with AA and its variants....adults have lost their jobs because of their hair loss, they have been harassed and accused of belonging to extremist cults...and children have been moved from mainstream to special education...” (American Academy of Dermatology)

APPENDIX E

DETAILED PUBLIC TESTIMONY

Detailed Public Testimony

Evelyn Langlois

My sister has had Alopecia since she was five years old. This disease causes her to lose a very important part of her body, all of her scalp hair. She has had to deal with this disease both emotionally and physically throughout her life, and she bears emotional scars from how she was treated in school by her classmates. Unfortunately, they were very cruel, tormenting her whenever possible.

Not only has she had to deal with the loss of her scalp hair, but also this disease has moved to the more severe stage of Alopecia Totalis, which includes the loss of eyelashes, brows, and nasal hair. This is the third time she has had to struggle with Alopecia, and with this bout, she has suffered from sinus infections, eye infections, and allergies that she has never had before. These are a few of the physical problems she deals with; however, the emotional problems from when she was a young adult still haunt her. The wigs she had to wear would fall off, or be pulled off by schoolmates because she had no hair to clip the wig to; they never fit her properly, and were not made with any type of scalp attachment to secure the wig. Not only did she have to resolve "normal" pre-teen issues, but also issues of fear from other people.

I have watched my sister fight for respect and dignity as a disabled person does, but her disability is called a "cosmetic" issue by the insurance companies. I would like to see these insurance people lose all their body hair and see what medical problems they will have to face.

I have a daughter and I know that this disease can be genetic. My little girl could face that same diagnosis as my sister, and have to battle Alopecia. I pray that people understand that the loss of one's hair is not cosmetic, but is truly the loss of an important body part.

Please do not allow my daughter, or anyone else if diagnosed with Alopecia, to go through life with wigs that do not fit, that fall off and look terrible. Please pass this law for everyone in Washington State to require that insurance companies cover cranial prosthetic devices for people with Alopecia. Alopecia is not a cosmetic condition as the insurance companies claim; instead it is a very devastating and disabling disease that can hit anyone at any age.

PARTICIPANT LIST

Michelle Novak

Senator Harriet Spanel

Mary Kay Hanell, Senator Spanel's Office

Peter Wangoe

Ken Bertrand, Group Health

Aggie Millett, Group Health
Jonathan Seib, Senate Healthcare Committee
Evelyn Langlois

NORTHWEST
HAIR REPLACEMENT

12037 184th Avenue N. E. • Redmond, WA 98052 • (206) 488-9342

Hi Michelle,

9-27-95

Thanks for your inquiry.

We have specialized in the full cranial prosthetics for 35 years.

We have custom hairpieces with the new soft base designs at \$1995.⁰⁰ and vacuum bases at \$1995.⁰⁰. Also, we have a brand new design that uses a special super ventilated base with the sturdy multi-hole design for air flow, and cover comfort. The price is also \$2195.⁰⁰. This hairpiece allows you to swim, play sports, and still be secure and undetectable.

We look forward to working with you!

Sincerely,
D. J. ...

APOLLO

PROFESSIONAL HAIR REPLACEMENT SERVICE—SUPPLIES, REPAIRS, AND ACCESSORIES

309 TELEGRAPH RD.
BELLINGHAM, WA 98226
PHONE (206) 647-8717
1-800-766-0309

September 27, 1995

To Whom It May Concern:

On August 28, 1994, Michelle Novak was referred to my salon by Sunset Beauty Supply in Bellingham, Washington. At the time, Michelle had hair extensions and a custom made hair piece attached with clips. The stylist that attached her hair had done a poor job and Michelle had lost virtually all of the remaining hair the extensions and hairpiece were attached to. Frustrated and very emotional, Michelle came to my salon with her unfortunate situation.

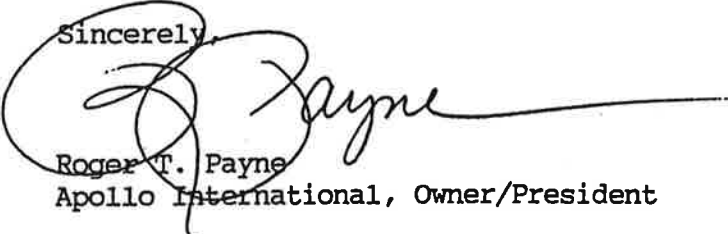
As a temporary measure, I purchased a full wig for Michelle from a local beauty supply house. The wig was uncomfortable and didn't fit her well. However, we were able to adjust the wig by hand-sewing in six different places; this resulted in a temporary replacement while a full prostheses could be custom designed and ordered from Apollo Hair Systems in Kansas City, Kansas. Due to the amount of hair loss and the small size of her head, Michelle's only real option was to go with a custom made full prostheses system.

The first prostheses custom made for Michelle was priced at \$2,500.00 plus Washington State Sales Tax at 7.8%. It was purchased on 9/21/94 and lasted only one year. I suggested that Michelle might purchase two systems. This will allow Michelle to alternate use, prolonging the life of the prostheses, saving early replacement cost and salon time.

Her systems are constructed of 100% Human Hair for a natural and undetectable appearance. This gives Michelle the ability to feel comfortable and most importantly, function as a normal woman.

If I can be of any further assistance, please feel free to telephone me at (360)647-8717.

Sincerely,



Roger T. Payne

Apollo International, Owner/President

RP/tp



for women

September 28, 1995

Michell Novack
P.O. Box 1806
Friday Harbor, WA 98250

Dear Michell,

Thank you for requesting information regarding Reallusions line of fabulous hair loss related products.

Enclosed you will find our general brochure which gives some specific information regarding our full head vacuum hair replacements.

Depending on the type of hair you choose, the length of hair and the basic construction techniques used, these products range in price from \$1,995.00 up to \$3,500.00. The best way to get all the information would be to talk to one of our regional trained Reallusions representatives. I have attached a list of Reallusions representatives in your general area. Feel free to call any of them or to call me directly if you have additional questions.

Sincerely,



Greg Taylor
President
Taylormade/Reallusions

GT:vz

APPENDIX F

N.Y. STATE COURT DECISION

Arlene ZUCKERMAN, Plaintiff-
Respondent.

v.

EMPIRE BLUE CROSS AND BLUE
SHIELD, Defendant-Appellant.

Supreme Court, Appellate Term,
First Department.

April 8, 1993.

Insured brought suit seeking coverage under health policy for prescribed replacement hairpiece. Insured's motion for summary judgment was granted by the Civil Court, New York County, Solomon, J., and insurer appealed. The Supreme Court, Appellate Division, held that health policy, which provided coverage for "prosthetic appliance" affording or replacing part or all of bodily function or organ, was sufficiently broad to cover replacement hairpiece prescribed by insured's treating physician.

Affirmed.

1. Insurance §531.1

Health policy, which provided coverage for "prosthetic appliance" affording or replacing part or all of bodily function or organ, was sufficiently broad to cover replacement hairpiece prescribed by insured's treating physician, and complete loss of hair could come within broad term "body function"; insurer came forward with no evidentiary proof to rebut medical affidavits attesting to bona fides and emotional sequelae of medical condition, known as alopecia areata, requiring use of hairpiece.

See publication Words and Phrases
for other judicial constructions and
definitions.

2. Insurance §146.7(1)

Ambiguities in insurance policy must be resolved in favor of insured and against insurer.

Jeffrey D. Chansler, New York City
(Paul Vincent J. Sweeny, of counsel), for
appellant.

Keenan & Pedersen, New York City
(David de Andrade, of counsel), for respon-
dent.

Before OSTRU, P.J., and MILLER and
McCOOE, JJ.

PER CURIAM:

Order entered July 29, 1992 (Jane S. Solomon, J.) affirmed with \$10 costs.

[1.2] We agree that the terms of the health insurance policy issued by defendant were sufficiently broad to provide coverage for the replacement hairpiece prescribed by plaintiff's treating physician. The policy terms provided coverage for "prosthetic and orthotic appliances which support or replace part or all of a body function or organ or replacement, repair, fitting and adjustment of such devices when prescribed by a practitioner." A hairpiece of the kind worn by plaintiff is readily encompassed within the policy term "prosthetic appliance", the word "prosthesis" being defined as "an artificial device to replace a missing part of the body." (Webster's Third New International Dictionary 1822 [1981]). Indeed, that a hairpiece comes within the definitional term "prosthetic appliance" is confirmed by the defendant's own internal practice, undisputed on this record, of providing reimbursement on claims involving hairpieces necessitated by baldness resulting from chemotherapy or radiation treatments. Similarly, the average layperson reading defendant's policy might reasonably conclude that the growth or, more pertinently here, the complete loss of scalp hair was included within the ambit of the broad term "body function". There is at least an ambiguity in the policy provisions, which under well-settled principles governing interpretation of insurance contracts, must be resolved in favor of the insured and against the insurer (see, *Lavanant v. General Acc. Ins. Co.*, 79 N.Y.2d 623, 629, 584 N.Y.S.2d 744, 595 N.E.2d 819; *Knudsen v. Field*, 185 A.D.2d 765, 586 N.Y.S.2d 950, 951). Nor has defendant come forward with evidentiary proof to rebut plaintiff's medical affidavits attesting to the bona fides and emotional sequelae of the medical condition—known as alopecia

APPENDIX G

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APPENDIX H

REVIEW PROCESS AND CRITERIA

Mandated Health Benefits Sunrise Review Process

A "mandated health benefit" is a coverage provision that must be present in all health insurance sold because of requirements of state law. Mandated benefits are usually specific health care services, supplies or equipment that must be covered, or requirements to cover the services of a particular kind of health care provider. However, specific mandated benefit provisions or legislative proposals may vary quite a bit. Some actually are requirements for insurance carriers to *offer* the benefit to any group or individual who buys a policy. Some apply to state-purchased health care (such as Medicaid and the Basic Health Plan) as well as to privately purchased insurance. State legislatures cannot mandate that benefits apply to health coverage that is directly provided by employers (rather than arranged by the employers through purchase of insurance), due to the effect of a federal law that preempts state regulation in this area.

Washington state statute requires that proponents of new mandated health insurance benefits must provide specific information to the legislature. Should the legislature request, and if funds are made available, the Department of Health makes recommendations to the legislature on the proposals, using criteria specific in the statute. The criteria for these "sunrise reviews" deal with social impact, financial impact and the effectiveness of the benefits mandated. The criteria are contained in RCW 48.42.080 and in this Appendix.

The legislature's intent is that all mandated benefits show a favorable cost-benefit relationship and that they not unreasonably affect the cost and availability of health insurance. In addition, the statute states (in RCW 48.42.060) that "the cost ramifications of expanding health coverages is of continuing concern and that the merits of a particular mandated benefit must be balanced against a variety of consequences which may go far beyond the immediate impact upon the cost of insurance coverage."

The Review Process

Formal notification is provided to the applicant group and other interested parties that the legislature has requested the department to review a mandated benefits proposal, indicating that the review process has begun. The sunrise process formally begins about three weeks later with a public meeting intended to "scope out" key issues (as well as non-relevant issues); pose questions from the review panel to the applicant (both technical and policy); review sunrise criteria and process with participants;

and identify key players who might be absent from the meeting. The applicant is requested to bring a summary of the proposed benefit and answers to the specified questions.

The department gathers information from various sources, and conducts an analysis. The Health Care Authority provides cost analysis based on the information provided and any other information the Authority may have access to. A cost-benefit analysis is conducted to the extent possible given the information provided to the department.

A draft of the department's final report, including findings and recommendations, is distributed as soon as possible after the public hearing. The report is forwarded through the Governor's office to the legislature.

Mandated Benefits Sunrise Reviews
Statutory Review Criteria
(From RCW 48.42.080)

Based on the availability of relevant information, the following criteria shall be used to assess the impact of proposed mandated benefits:

1. The Social Impact:

- (i) To what extent is the benefit generally utilized by a significant portion of the population?
- (ii) To what extent is the benefit already generally available?
- (iii) If the benefit is not generally available, to what extent has its unavailability resulted in persons not receiving needed services?
- (iv) If the benefit is not generally available, to what extent has its unavailability resulted in unreasonable financial hardship?
- (v) What is the level of public demand for the benefit?
- (vi) What is the level of interest of collective bargaining agents in negotiating privately for inclusion of this benefit in group contracts?

2. The financial impact:

- (i) To what extent will the benefit increase or decrease the cost of treatment of service?
- (ii) To what extent will the coverage increase the appropriate use of the benefit?
- (iii) To what extent will the benefit be a substitute for a more expensive benefit?
- (iv) To what extent will the benefit increase or decrease the administrative expenses of health carriers and the premium and administrative expenses of policyholders?
- (v) What will be the impact of this benefit on the total cost of health care services and on premiums for health coverage?

(vi) What will be the impact of this benefit on costs for state-purchased health care?

(vii) What will be the impact of this benefit on affordability and access to coverage?

3. Evidence of health care service efficacy:

(i) If a mandatory benefit of a specific service is sought, to what extent has there been conducted professionally accepted controlled trials demonstrating the health consequences of that service compared to no service or an alternative service?

(ii) If a mandated benefit of a category of health care provider is sought, to what extent has there been conducted professionally accepted controlled trials demonstrating the health consequences achieved by the mandated benefit of this category of health care provider?

(iii) To what extent will the mandated benefit enhance the general health status of the state residents?

The department may supplement these criteria to reflect new relevant information or additional significant issues.